

PEEHIP

Quarterly



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PUBLIC EDUCATION EMPLOYEES' HEALTH INSURANCE PLAN

January-February-March 2006

From The Director of PEEHIP

PEEHIP instituted many changes in 2005, and we greatly appreciate how understanding our members have been over these last months.

When these changes were enacted by the State Legislature, PEEHIP knew that in a six-month period it would have to implement changes that normally would require a time frame of two years. Many hours and many people were involved from all parts of the RSA. Some members may have had a hard time getting through to PEEHIP by phone, but our staff as well as the RSA staff has worked numerous hours and will continue to do so to make these changes as painless as possible.

The facts and figures in this article and other articles throughout this newsletter are designed to inform you of the reasons why we have made the changes and how it will help our members, PEEHIP and the state save money while continuing to provide excellent benefits in these times of ever increasing health-care costs.

PEEHIP Faces Huge Liability

Dr. Bronner stated at the last PEEHIP Board meeting that Alabama faces \$13 billion to \$15 billion unfunded liability in health-care costs for teachers and state employees. The same problem exists all over the country because unlike your retirement benefits, which have billions of dollars set aside to invest and provide for future funding, the state has not set aside a dime to pay for future health-care costs. Beginning in 2007, all states will be required to report their unfunded liability and how they plan to pay these costs. These requirements have been set forth by the Governmental Accounting Standards Board.

Step Therapy Prescription Drug Program

We know Step Therapy may cause some inconvenience to members but with medical costs increasing at a rapid pace, we had to make changes to the prescription drug

program to keep the program sound for future members. Step Therapy, like other changes we have made, keeps PEEHIP from having to increase premiums and co-payments. These Step Therapy changes apply to new prescriptions written on or after February 1, 2006, or prescriptions that have not been purchased in over 130 days. PEEHIP grandfathered in members who were taking the more expensive medications so they would not be disrupted.

Phase I of the Step Therapy Prescription Drug Program initiated on October 1, 2005, has been estimated to save PEEHIP approximately \$6.0 million in ingredient costs this year. The "Expansion of the Step Therapy Program" article can be found on page 3. Once again this will help PEEHIP save money while ensuring the same level of benefits and providing appropriate care for our members.

Prescription Drug Program

While a small number of our members experienced problems when trying to have their prescriptions filled, the problems were minute when compared to the 700,000 prescriptions filled in September and October 2005. We understand the frustration sometimes experienced by members as a result of changes in their health insurance plan. Please remember the changes are necessary to keep the PEEHIP program sound and affordable for our members.

We will publish a quarterly newsletter for PEEHIP members to help keep our members informed about their benefits and any upcoming changes to benefits. Page 4 has a listing of the best ways to contact your health-care administrators. Again thank you for your patience as we try to keep health-care costs down while maintaining your excellent benefits. We will continue to ensure the long-term viability of the plan, and any changes that must be made will be solely for the benefit of the plan participants.

Make Your Money Work for You

You work hard for your money. What if you let your money work for you? Would you not rather pay for your health care and dental expenses, not covered by PEEHIP, before taxes are taken out?

How about eligible child or dependent care expenses? Could you not get more from your dollars by paying for these expenses with pre-tax dollars?

PEEHIP now offers a Flexible Benefits Plan for both types of expenses. The Flex Plan can help you save money by setting aside a certain amount in your Flex Account providing you and your family more value for your dollar.

Here are some of the eligible expenses that can be paid from your Flexible Benefits Account:

Flex Health Account

- ◆ Prescription drug co-pays as well as over-the-counter medications
- ◆ Physician co-pays
- ◆ Vision care including Lasik and Prelex surgery
- ◆ Hearing care
- ◆ Deductibles
- ◆ Orthodontia
- ◆ Coinsurance

Flex Dependent Care Account

- ◆ Licensed nursery school and day care facilities for children
- ◆ Child care in or outside your home
- ◆ Day care for an elderly or disabled dependent

You will determine how much per year you want to contribute to your Flex Account(s). Most members say they assess what their expenses were the year before and make their decision based on those amounts. Your annual contributions must be whole dollars. The funds are deducted from your pay *before* taxes are withheld and deposited into your account.

If your medical and/or dental insurance is with any PEEHIP medical or optional plan, your out-of-pocket expenses for medical and/or dental services will *automatically* apply to your Flex Account. If you have medical, dental or secondary coverage with another insurance plan, you will need to file a Request for Reimbursement form with appropriate documentation and provide documentation of what the other carrier paid.

The out-of-pocket money is reimbursed to you from your account. You may even elect to have it deposited directly into your checking or savings account.

The PEEHIP Flex Plan is administered by Blue Cross Blue Shield of Alabama. Now think about it: PEEHIP and Blue Cross, these are two names you can trust and rely upon.

If you are currently enrolled in a flexible spending account other than PEEHIP's Flexible Benefits Plan, you may join the PEEHIP Flexible

Impact of Changes Implemented by PEEHIP in 2005

Tobacco Surcharge: Approximately 26,700 (21.3%) of Hospital Medical contracts are being charged a tobacco surcharge generating \$6.4 million annually.

Children's Health Insurance Program: Approximately 200 children are covered under the PEEHIP CHIP plan.

Federal Poverty Level Discount: Approximately 750 PEEHIP members with Hospital Medical coverage have qualified for the Federal Poverty Level Discount Program.

Supplemental Plan: Currently 235 members have taken advantage of the supplemental plan.

Flexible Benefit Plan (FLEX): *Medical Spending Account* enrollees total 2,540 with \$3.1 million in annual elections. *Dependent Care Spending Account* approximates 370 accounts totaling \$1.1 million in annual elections. New marketing efforts are underway to reach out to employers to increase the number of FLEX participants.

Retiree Sliding Scale: A reminder to PEEHIP members planning to retire in 2006 and beyond, that the retiree sliding scale is now in effect. Under the sliding scale, the retiree will still be responsible for the Retiree Share; however, the Employer Share will increase or decrease based upon the retiree's years of service. For members retiring with 25 years of service, PEEHIP pays 100% of the Employer Share of the premium. Each year less than 25, the amount PEEHIP contributes will be reduced by 2% resulting in the retiree paying more for their premium. The opposite is true for members with more than 25 years of service. PEEHIP will contribute 2% for each year over 25, resulting in the member paying less for their premium.

Medicare Part D: PEEHIP has been approved to participate in the Medicare Part D Subsidy Program. The total annual subsidy is estimated to be \$17-18 million.

More information relating to these changes can be found on our Web site at www.rsa.state.al.us.

Benefits Plan at the close of your plan year. If you are not presently enrolled in a flexible spending plan, you can enroll in the PEEHIP Flex Plan during Open Enrollment, July 1 – August 31, 2006. The PEEHIP Flex Plan year runs from October 1 – September 30.

For more information, please call Bob Crowe at the RSA: (800) 214-2158 or 334-832-4140 extension 1671 or Jane Hicks at extension 1670.

Get your money started working for YOU!

Expansion of the Step Therapy Prescription Drug Program Effective February 1, 2006

In December 2005, the PEEHIP Board approved the expansion of the Step Therapy Prescription Drug Program beginning February 1, 2006. The change impacts new prescriptions in the following drug classes, including Calcium Channel Blockers used for high blood pressure and other heart conditions, Antidepressants used for depression, certain drugs used to treat allergies, Topical Immunomodulators used to treat Psoriasis, HMG's and Zetia used to treat high cholesterol.

What is Step Therapy? Step Therapy is a program designed especially for people who take prescription drugs regularly to treat ongoing medical conditions such as arthritis/pain, heartburn, or high blood pressure. It is designed to:

- Provide safe and effective treatments for your good health
- Make prescriptions more affordable
- Enable PEEHIP to continue to provide affordable prescription coverage while controlling rising costs

Step Therapy is organized in a series of "steps" with *your doctor* approving your medication every step of the way. It is developed under the guidance and direction of independent, licensed doctors, pharmacists, and other medical experts. Together with Express Scripts Inc. (ESI), they review the most current research on thousands of drugs tested and approved by the U.S. Food & Drug Administration (FDA) for safety and effectiveness.

The expansion of the PEEHIP Step Therapy program will apply to new prescriptions for *certain drug classifications* written on or after February 1, 2006. Prescription drugs that have not been purchased in over 130 days are considered new prescriptions for this program.

If you are currently taking a prescription for a second-line agent, you will not experience a change. If you are provided samples by your Physician the sample

medications are not considered processed claims and still would be subject to step therapy.

How does Step Therapy work?

First Step: Generic drugs are usually in the first step. These drugs are commonly prescribed, less expensive treatments that are safe and effective in treating many medical conditions. Your co-payment is usually the lowest with a first-step drug. It will be necessary for you to use the first-step drugs before the plan will pay for second-step drugs.

Second Step: If your treatment path requires more medications, then the program moves you along to this step, which generally includes brand-name drugs. Brand-name drugs are usually more expensive than generics, so most have a higher copayment.

When a prescription for a second-step drug is processed at your pharmacy for the first time, your pharmacist will receive a message indicating the PEEHIP plan uses Step Therapy. If you would rather not pay full price for your prescription drug, your doctor needs to give you a prescription for a first-step drug. Only your doctor can change your current prescription to a first-step drug covered by your program.

To receive a first-step drug:

Ask your pharmacist to call your doctor and request a new prescription

OR

Contact your doctor to get a new prescription

With Step Therapy, more expensive brand-name drugs are usually covered in a later step in the program if you have already tried the first-step drug. If your doctor decides you need a different drug for medical reasons before you have tried a first-step drug, then your doctor can call Express Scripts to request a "prior authorization." If the second-step drug is approved, you will pay a higher copayment than for a first-step drug. If the drug is not approved, you will need to pay the full price for the drug. You can appeal the decision through the appeals process outlined in your member handbook.

Drug classes and examples of the medications that will be part of the expansion of the PEEHIP Step Therapy program effective February 1, 2006 include:

I Calcium Channel Blockers such as:

Norvasc, Covera-HS, Verelan PM, Cardene SR, Sular, and DynaCirc CR

II Antidepressant Medications such as:

Paxil, Paxil CR, Pexeva, Zoloft, Lexapro, Luvox, Celexa, Prozac, Prozac Weekly, Effexor, Effexor XR, Cymbalta, Wellbutrin XL

III HMG (Dosage Dependent) Cholesterol Reducing Drugs such as:

Crestor, Vytorin, Lipitor, Pravachol, Zetia

IV Allergy Medications such as:

Singulair, Accolate, Zflo

V Topical Immunomodulator drugs used to treat Psoriasis such as:

Elidel, Protopic

Maintenance Drug Changes Effective February 1, 2006

Effective February 1, 2006, the first fill on new prescriptions for maintenance medications will be limited to a 34-day supply. After the first fill, members can receive a 90-day supply when the Physician writes the prescription for a 90-day supply, if the medication is on the PEEHIP maintenance list.

**If you have questions about
Step Therapy, contact Express Scripts
at 1-866-243-2125**



Tobacco Surcharge Generates \$6.4 Million Annually for PEEHIP

As stated in the January 2006 Advisor, smoking is the leading preventable cause of disease and death in the United States, causing approximately 440,000 deaths each year and costing approximately \$157 billion in annual health-related economic losses. As a result, more and more smoking surcharges are being added to employees' premiums, ranging from \$15 per month to \$50 per month.

Since the advent of the Tobacco Users Surcharge by PEEHIP, approximately 26,700 PEEHIP Hospital/Medical contracts (including HMOs) out of a total of 125,400 Hospital/Medical contracts or 21.3% are being levied a tobacco surcharge of \$20 per month. This will generate an estimated \$6.4 million annually for PEEHIP.

Help for those wanting to quit

For tobacco users wanting to quit tobacco in the future, PEEHIP provides a Tobacco Cessation Program through the statewide Wellness Program administered by the Alabama Department of Public Health. Members and dependents covered by the PEEHIP Hospital Medical Plan, HMO or optional plans can call a tobacco use toll-free Quitline. The purpose of the program is to decrease the total health care expenditure for PEEHIP participants through effective tobacco use cessation treatment; to improve clinical outcomes of those enrollees who participate in the Quitline through provision of nicotine replacement therapy (NRT), and to demonstrate support for enrollees who use tobacco who will be required to pay an additional \$20 per month for coverage due to their tobacco use.

The Alabama Tobacco Quitline operates 24 hours a day, providing live counseling from 8:00 a.m. until 8:00 p.m., Monday through Friday with Masters prepared Licensed Professional Counselors. An intake session is conducted and if the tobacco user chooses, he or she can receive up to six counseling proactive sessions from the Quitline. The Quitline phone number is **1-800-QUIT-NOW** (1-800-784-8669). This program started October 1, 2005.

Why not call today and get started on saving money on your premiums with PEEHIP but most importantly, improving your health!

For Your Information

Flexible Spending Account

334-832-4140 or 1-800-214-2158

Wellness Program

*administered by the Public Health
Department*

334-206-5585 or 1-800-252-1818

www.adph.org

Tobacco Cessation Quitline

1-800-QUIT-NOW or 1-800-784-8669

Blue Cross Blue Shield of Alabama

1-800-327-3994

www.bcbsal.org/peehip1/w

Express Scripts, Inc.

1-866-243-2125

www.express-scripts.com

Curascript Specialty Pharmacy

1-888-773-7376

www.curascript.com

HealthSpring of Alabama HMO

205-968-1400 or 1-800-947-5093

www.healthspringofalabama.com

VIVA Health Plan HMO

205-558-7474 or 1-800-294-7780

www.vivahealth.com

Southland National Insurance Corporation

1-800-476-0677

www.southlandnationalpeehip.com

Facts About Medicare Part D

- PEEHIP members cannot have Medicare Part D and the PEEHIP prescription drug plan at the same time.
- Members will lose the PEEHIP prescription drug coverage when they enroll in Medicare Part D.
- Members can still have the medical and physician coverage with PEEHIP but not prescription drug coverage.
- Once a member discontinues Medicare Part D, they can return and re-enroll in the PEEHIP prescription drug program.
- Members or covered dependents who are on Medicaid and Medicare or members who are living in a nursing home with Medicare coverage, will automatically get enrolled in a Medicare Part D plan and will lose their PEEHIP prescription drug coverage.

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